

Royalty-in-Kind Pilot for Oil from Federal Leases in Wyoming

Recent Developments

- A fourth IFB, posted February 1, 2000, offered 5,170 bbls/day, a 61% increase over the last sale. **All offered production was taken by five successful bidders. They will begin taking delivery of RIK production April 1, 2000, and will continue for a 6-month term. Effective April 1, 2000 about 44% of federal oil royalty volumes in Wyoming will be taken as RIK.**

Background

- MMS has developed and implemented, in collaboration with the State of Wyoming (State), a pilot program to take crude oil royalties as a share of production (i.e., "in-kind" rather than "in-cash") and subsequently sell that crude oil in the open market. Click here to view details of [our objectives for the pilots.](#)
- Crude oil from Federal and State properties has been successfully marketed during this pilot under three separate Invitations for Bid (IFB). These competitive sales at the lease each resulted in contracts with the successful bidders to take royalty oil for a 6-month term. The State committed production from State properties to all except the first sale.
- The production has been offered from properties in the Powder River and Big Horn Basins, comprising different qualities of crude oil (sweet, sour, and asphaltic) and different other characteristics (e.g., high, medium and low production volumes, varying royalty rates, piped and trucked production).
- Although more experience is needed before firm conclusions are drawn, the Department and the State are pleased with results of these sales of royalty oil and plan to continue them. Evaluation of impacts on government revenues and administrative costs to government and industry will continue.
- In addition to the Wyoming project, MMS has launched two other RIK pilot programs based on the recommendations in the MMS 1997 RIK Feasibility Study. They are an offshore natural gas RIK pilot in the 8(g) waters off Texas, and an offshore Gulf of Mexico natural gas RIK pilot. Both of those also involve transfer of royalty production to other Federal Agencies to study efficacy of retaining the Federal asset for use within the government.
- The following criteria have been established for evaluating the success of the three RIK pilots:
 - Simplicity, accuracy, certainty for lessees and government;
 - Revenue neutral (or better) for government; and
 - Reduced administrative burden for lessees and government.

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